

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Solis Analyst: Kristina E. North Bill Number: SB 246
Related Bills: See Legislative History Telephone: 845-6978 Amended Date: September 3, 1999
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Firefighters' Memorial Fund/Extends Repeal Date

SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would allow the California Firefighters' Memorial Fund to be used for the maintenance as well as the creation of a memorial and extend the fund's operation to January 1, 2006.

This analysis will not address the bill's changes to the Vehicle Code, as they do not impact the Franchise Tax Board (FTB).

SUMMARY OF AMENDMENT

The September 3, 1999, amendment makes changes to the Vehicle Code regarding the disposition of revenues derived from special license plate fees that do not impact the department.

The September 2, 1999, amendment added the changes to the California Firefighters' Memorial Fund.

EFFECTIVE DATE

This bill would become effective on January 1, 2000.

LEGISLATIVE HISTORY

SB 532 (Solis - Ch. 596, Stats. 1997) - this bill specified that the California Firefighters' Memorial Fund would be subject to a \$100,000 minimum contribution limitation for taxable year 1999, and the \$250,000 minimum contribution limitation for taxable year 2000.

SB 209 (Solis - Ch. 206, Stats. 1995) - this bill specified that the California Firefighters' Memorial Fund would not be subject to the \$250,000 minimum contribution limitation.

AB 1523 (Areias, et al. - Ch. 1223, Stats. 1993) - this bill established the California Firefighters' Memorial Fund.

BACKGROUND

Twelve voluntary contribution funds appeared on the 1998 state tax return. Total contributions to the funds have declined from approximately \$3.4 million in 1989/1990 to approximately \$2.6 million in 1997/1998. The number of individual

Board Position:

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Department Director

Date

Gerald Goldberg

9/23/1999

contributions (first tabulated in 1993) remains fairly constant at 140,000 to 150,000 contributions, representing approximately 1% of all taxpayers.

The California Firefighters' Memorial Fund was enacted in 1993 and was first available for contributions on the 1993 tax return filed in 1994. It will sunset on January 1, 2001, and will last appear on returns for the 2000 taxable year filed in 2001. This fund received approximately \$134,000 from contributions on 1997 tax returns filed in 1998.

SPECIFIC FINDINGS

Current federal law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 12 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the FTB and Controller's costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (indexed \$250,000) to remain on the return. Attachment II is a chart indicating the number and dollar amount of contributions to the funds for multiple fiscal years.

This bill would extend the operation of the California Firefighters' Memorial Fund to January 1, 2006; specify that that the fund remain in effect until that date unless a later enacted statute extends that date; and specify that moneys collected also would be used to maintain the memorial.

Policy Considerations

In 1998, with a repeal date of January 1, 2001, SB 532 required that this fund meet the minimum contribution amount of \$100,000 for taxable year 1999 and \$250,000 for taxable year 2000. However, with the repeal date extension provided by this bill, this fund would remain on the tax return without requiring a minimum contribution amount for taxable years beginning with 2001.

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately impair tax collection and reduce administrative efficiency.

Implementation Considerations

The extension of this fund would not significantly impact the department.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

If the minimum level of contributions is achieved each year, potential revenue losses from this bill would be very minor, on the order of \$15,000 annually, beginning in fiscal year 2002/2003 as a result of itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

BOARD POSITION

Pending.